



HERO – COMMERCIAL BUILDINGS RETROFIT PROGRAM

Program Guidelines

EmPower Louisiana HERO – Commercial Buildings Retrofit Program
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I. Introduction

The Louisiana Department of Natural Resources (DNR) will be managing the disbursement of State Energy Program funding (from which HERO funds are drawn) allocated by the U.S. Department of Energy (DOE) according to the 2009 American Recovery and Reinvestment Act (ARRA).

DNR's grant application and funding distribution strategy were recently approved by DOE and DNR proceeding to expedite the implementation of this program. DNR developed a funding distribution strategy to maximize funding availability to all areas of the state while providing an opportunity to increase energy efficiency and the use of renewable energy for the benefit of all Louisiana citizens.

The program is marketed under the name *EmPower Louisiana HERO–Commercial Buildings Retrofit Program*. These Program Guidelines provide guidance to Participants on how the EmPower Louisiana HERO Program will be implemented, as well as detail all aspects of the application and reporting process.

1. American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA or Public Law 111-5). The stated purposes of the ARRA are to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments needed to increase economic efficiency by spurring technological advances in science and health; invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize state and local government budgets.

2. State Energy Program Formula Grants

The ARRA appropriated funds for the first time to the U.S. Department of Energy (DOE) to issue/award formula-based grants under the State Energy Program. Under this program, DOE provided grant funds to States, Territories and the District of Columbia for eligible projects. The State of Louisiana was allocated a total of \$71,694,000 in SEP funds under ARRA, out of which \$15,170,448 is allocated to HERO.

II. HERO Program Overview

In 1999 the DNR introduced the Home Energy Rebate Option (HERO) Program in which Louisiana residents would receive up to a \$2,000 rebate for making their home more energy efficient. To date the program has saved over 8.7 trillion BTUs of energy for Louisiana residents. Since 2007 the program has been restricted to retrofits of existing homes. With funds from ARRA, the HERO program is expanded to encompass new home construction, existing home retrofits, and commercial property retrofits.

The expanded HERO Program makes \$15.2 million available to encourage energy efficiency in homes and commercial properties. The program is designed to support homeowners and businesses seeking to save money on energy and/or reduce their environmental impact through cash incentives for energy efficiency improvements. The program includes three components: New Homes, Existing Homes, and Existing Commercial Buildings.

The *HERO-New Homes Program* encourages the building of energy efficient new homes. Achieving a Home Energy Rating System (HERS) score of 70 qualifies the new home for a \$2,000 incentive. The Hero Program will provide a \$3,000 rebate for homes that achieve a 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC 2004) including supplements to that code, where at least 1/5 of the energy savings must come from building envelope improvements.

The *HERO-Existing Homes Program* encourages energy efficiency by providing a cash incentive to Louisiana residents who improve the energy efficiency of their existing home by a minimum of 30%. The incentive is based solely on energy savings expressed in kilowatt-hours (kWh). The incentive will be two cents (\$0.02) per kWh savings comparing the pre-improvement home and post-improvement home over 15 years as determined by a HERS rating. The maximum potential rebate is \$3,000.

The *HERO-Commercial Buildings Retrofit Program* is designed to encourage business owners to retrofit their existing commercial properties. The program requires a 10% reduction in annual kWh usage and

awards an incentive of one cent (\$0.01) per kWh savings comparing the pre-improvement property and the improved property. The maximum potential rebate is \$5,000.

III. HERO – Commercial Buildings Retrofit Program Goals

DNR created the EmPower Louisiana HERO–Commercial Buildings Retrofit Program to improve the efficiency of approximately 1,700 Louisiana properties by a minimum of 10%. The objective is to make the application process as simple as possible while maintaining the transparency and accountability requirements mandated by Congress in the ARRA. (Guidelines for the New Homes and Existing Homes programs are available under separate cover.)

1. Timeline

| Event | Date |
|---|--|
| Release of New Program Guidelines | May 1, 2010 |
| Project Eligibility Start Date | May 1, 2010 |
| Project Eligibility End Date for Preliminary Submittals | August 31, 2011 (or whenever funding is depleted, whichever comes first) |
| Project Eligibility End Date for Final Submittals | February 29, 2012 |
| Program Completion Date | April 30, 2012 (or whenever funding is depleted, whichever comes first) |

IV. Eligible Applicants

A rebate can only be awarded to the party that increases the energy efficiency of a participating property...defined as either the owner of the audited property or an eligible occupying leasing tenant of the audited property at the time of the final audit.

1. Property Owner

Applicants may be individuals, sole proprietors, partnerships, or organizations in any recognized corporate form such as LLC, C-Corp, or S-Corp. They may be organized as for-profit or not-for-profit organizations. In the case of partnerships and corporations (including LLCs and other forms), entities are required to provide contact information for all principal owners or members.

Individual applicants must be Louisiana residents. Businesses must be licensed to conduct business in the State of Louisiana. Applicants are *Subgrantees* of the State’s allocated Energy Program Formula Grants and are referenced as *Participants* below.

2. Occupying Leasing Tenant

If the recipient of the rebate is not the owner of the property, in addition to the Property Owner guidelines, the following guidelines will also apply:

- There must be no conflicting contractual agreements between the leasing occupant and the property owner which would prohibit the leasing occupant from increasing the energy efficiency of the property
- In order for a leasing occupant to be eligible for a rebate under this program, the leasing occupant must have at least 3 years remaining on their current lease contract on the audited property address that receives the rebate
- All energy efficiency measures implemented by the leasing occupant that are used as qualifying measures to determine the rebate under this program must remain in place for at least 3 years and become the property of the property owner at the time of expiration or termination of the lease

V. Eligible Activities

1. Eligible Projects

Eligible projects must be physically located within the State of Louisiana. The *Program* applies to existing commercial properties. A commercial property is defined as enclosed conditioned space (a building or building portion) that is individually metered, containing a non-residential occupancy and/or residential buildings that are more than four stories in height above grade. Mixed occupancy projects are permitted if the residential portion is twenty percent (20%) or less of the total project area (in square feet).

2. Ineligible Activities

In order to comply with federal ARRA requirements and to ensure that proposed projects result in the greatest amount of energy savings, and therefore the greatest benefit possible to the state, the following projects will NOT be considered eligible for funding under these guidelines. Ineligible activities/project types include:

- (a) Portions of a building. The entire building must be included in the audit. *Exception: a portion of a building is eligible if it is separately metered and has independent systems for HVAC and hot water which are serving only that portion. E.g. a store in a strip mall configuration.*
- (b) Buildings in which more than 20% of the building area is residential. *(See exception above)*
- (c) Projects for casinos or other gambling establishment, aquariums, zoos, golf courses, or swimming pools.
- (d) Mobile homes (even if used for business purposes).
- (e) Projects begun prior to May 1, 2010.
- (f) Funds for buying or leasing property.
- (g) Only one rebate is available per metered address. Projects are tracked by address. Addresses that have received a HERO rebate in the past are not eligible.
- (h) Projects that have received assistance through the State of Louisiana Home Energy Loan (HELP)
- (i) Commercial businesses/properties are not eligible to participate in the EmPower Louisiana ENERGY STAR® Appliance Rebate Program.

VI. Eligible Funding Levels

A commercial project that achieves a 10% reduction in energy use is eligible for up to a maximum \$5,000 rebate. HERO Program rebates are taxable. *Participants* will receive a 1099 form from the State of Louisiana for the year in which the rebate is received.

VII. Program Requirements

All program participants receiving funding under DNR's HERO Program will be considered *Subgrantees* and will be required to comply with all the following program requirements.

1. Project Completion

All projects that receive HERO Program funding from the Louisiana Department of Natural Resources must be completed, including final rating and required documentation, on or before *April 30, 2012*. DNR will not, without exception, authorize any extensions to the Project Completion Date and reserves the right to terminate a Grant Agreement and de-obligate awarded funds. In such case, the *Participant* shall not be reimbursed for costs incurred at their risk.

2. HERO Certified Energy Auditor with Commercial Training

Commercial Buildings Retrofit Program audits must be performed by either a Commercially Trained HERO-Certified Auditor (*Commercial Energy Auditor*), or a Louisiana licensed Professional Engineer (P.E.) or Architect. Existing Commercial Buildings that can participate in the Commercial Buildings Retrofit Program fall into two categories:

- 1) Category One – requires the services of a *Commercial Energy Auditor*, or a Louisiana Licensed P.E. or Architect
Category One Existing Building Description:
 - i) Less than 10,000 ft²
 - ii) Single zoned HVAC system/systems independently controlled that derive all of their heating and cooling from the same system(s)
 - iii) No economizers
 - iv) Cannot have lighting that is covered by Health or Life Safety Codes
 - (1) Specifically hospitals, schools, doctors offices, and restaurants
- 2) Category Two – requires the services of a Louisiana Licensed P.E. or Architect. Licensed P.E.s and Architects can visit <http://www.EmPowerlouisiana.org> website where they can download the proper forms to submit buildings for the program.
Category Two Existing Building Description:
 - i) All buildings not covered under Category One

A list of *Commercial Energy Auditors* is available on the program website (<http://www.EmPowerLouisiana.org>) or by contacting the HERO program hotline at: 1-877-319-1368.

3. Rating and Energy Performance Standards

A preliminary audit of an existing commercial building, as it is before improvements, *must* be submitted to the Louisiana Department of Natural Resources by a *Commercial Energy Auditor*, or a Louisiana licensed P.E. or Architect. Existing commercial buildings that do not meet this requirement are disqualified from participation in the Commercial Buildings Retrofit Program.

When the improvements are completed, a final audit will be performed to confirm that the energy reduction meets at least the qualifying standard. An existing commercial building qualifies for the rebate by reducing its annual kWh usage in the improved building by 10% over the building as it was before the improvements were made.

4. Additional Requirements

Additional requirements are detailed in the document *ARRA Requirements* that accompanies these guidelines and identifies requirements mandated by ARRA related to federal legislation such as the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA) Requirements.

VIII. Application Process

In order for an existing commercial building to participate in the Commercial Buildings Retrofit Program, the existing commercial building must be audited by a *Commercial Energy Auditor* or a *Louisiana licensed P.E. or Architect* during the planning stages before improvement activities begin. The submittal of the audit by the *Commercial Energy Auditor*, or a Louisiana licensed P.E. or Architect opens a Commercial Buildings Retrofit Program application for the project. The typical application process includes the following steps:

1. *Participant* contacts a *Commercial Energy Auditor*, P.E., or Architect, depending on what category type of the building.
2. The *Auditor* (from item #1 above) will verify the availability of funds (via secure internet site). At this time, \$5,000 is immediately obligated to the project for 14 days. The *Auditor* will receive a project number (CO#) specific to that property address and that property owner.
3. The *Auditor* will perform a preliminary audit on the *Participant's* existing commercial property as it is before improvements using Visual DOE software and provide a list of options for achieving the energy performance goals.
4. The *Participant* and the *Auditor* review the energy improvement options and agree on a target performance level and a pathway to compliance.

5. The *Auditor* must submit the preliminary audit to the HERO Program within the initial 14-day obligation of funds period. Once the preliminary audit is submitted, the 14-day \$5,000 obligation is changed to a 6-month obligation.
 - (a) If the preliminary audit is not submitted within the initial 14-day obligation-of-funds period the funds automatically revert back to the general fund.
 - (b) If the 14-day obligation of funding period expires the *Auditor* may still submit the property into the program by simply submitting the preliminary audit to The HERO Program. However submittals done by this method will not guarantee allocation of funding for the project. Acceptance of the preliminary rating will be dependent upon the availability of funds at the time the preliminary rating is received by the HERO Program.
6. The *Participant* completes the improvements to the existing commercial property and contacts the original *Auditor* for final verification.
7. The *Auditor* conducts a final audit of the improved commercial property and submits the required documentation to the HERO Program.
8. The rebate is calculated by multiplying the annual kWh savings in the improved property by 15 years and awarding 1 cent (\$0.01) per kWh for the total 15-year savings of up to a \$5,000 maximum.
9. The rebate is issued to the *Participant* by the HERO Commercial Buildings Retrofit Program.

1. Required Documents

The *Commercial Energy Auditor*, P.E., or Architect will be responsible for submittal of the required documents, but the *Participant* is responsible for the accuracy of all documents submitted to The HERO Program. Several of the documents require the participant’s signature in addition to other information. The list below summarizes the required documents:

| Required Documents | At Preliminary Rating | At Final Rating | Participant Responsible | Energy Auditor Responsible |
|--|-----------------------|-----------------|-------------------------|----------------------------|
| Commercial Building Retrofit Program Cover Sheet | √ | √ | • | • |
| Tax Letter | √ | — | • | |
| W-9 | √ | — | • | |
| New ENERGY STAR® HVAC Equipment Form | — | √ | • | |
| New NON -ENERGY STAR® HVAC Equipment Form | — | √ | • | |
| SHPO Form | √ | — | • | |
| Commercial Performance | √ | √ | | • |
| Visual DOE Electrical Use Summary | √ | √ | | • |
| Visual DOE Fuel Use Summary Report | √ | √ | | • |
| Visual DOE Energy Cost Summary Report | √ | √ | | • |
| Visual DOE Software Electronic Building Files | | √ | | • |

2. Description of Required Documents

Commercial Building Retrofit Program Cover Sheet: Provides information about the property address, applicant, and kWh energy use of the commercial property.

Tax Letter: Notifies the participant that all cash rebate amounts are currently taxable. The participant’s signature on this document demonstrates acknowledgement that a 1099 will be issued for the participant for the year the rebate is received, and the property could possibly be re-audited by a third party verification entity within three years of the date of the rebate check.

W-9: The Hero Program is required to file an information return (1099) with the IRS for all rebates. This form provides your taxpayer identification number (TIN) for that purpose.

Energy Star and NON-Energy Start Equipment Forms: For any equipment from the list below , provide Make(s), model(s), & serial no(s) of any new equipment installed:

- Room Air Conditioners
- Gas Storage Water Heaters
- Gas condensing water heaters
- Central Air Conditioners
- Gas Furnaces
- Electric Heat Pump Water Heaters
- Gas Tank-less Water Heaters
- Solar Water Heaters (electric or gas backup)
- Air Source Heat Pumps

SHPO Form: Certification that requirements of the National Historic Preservation Act have been met.

Commercial Performance: Form listing improvement options and actual installed.

Visual DOE Electrical Summary Report: This report provides annual electrical use of the pre-improvement and post-improvement property in kWh.

Visual DOE Fuel Use Summary Report: This report provides annual fuel use of the pre-improvement and post-improvement property in Therms.

Visual DOE Energy Cost Summary Report: This report provides annual energy costs of the pre-improvement and post-improvement property in dollars.

3. Receipts for 3rd Party Audits

The participant must maintain and be able to provide valid receipts for all of the energy efficiency improvements installed as part of the improvement measures. The participant must present a pristine copy of these receipts to the energy auditor at the time of the final rating. Neither the participant nor the energy auditor will submit these receipts to the HERO program, but both must maintain these receipts for a minimum of three years from the date of the final rating and be able to produce them should the participating property be randomly selected for an independent 3rd party audit during the three year period.